

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 WILLIAM A. MUNDELL
4 Chairman
5 JIM IRVIN
Commissioner
6 MARC SPITZER
Commissioner

7 In the matter of:

8 MELVIN LEE CLINE
7812 Via de la Entrada
Scottsdale, Arizona 85258

9 WHY NOT ENTERTAINMENT, L.L.C
10 7229 East 1st Av., Suite C
Scottsdale, Arizona 85251

11 Respondents.
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) DOCKET NO. S-03431A-01-0000
)

) **NOTICE OF OPPORTUNITY FOR**
) **HEARING REGARDING PROPOSED**
) **ORDER TO CEASE AND DESIST, FOR**
) **RESTITUTION, FOR**
) **ADMINISTRATIVE PENALTIES AND**
) **FOR OTHER AFFIRMATIVE ACTION**
)
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)

13 **NOTICE: RESPONDENTS HAVE 10 DAYS TO REQUEST A HEARING**

14 The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges
15 that respondents have engaged in acts, practices and transactions, which constitute violations of the Securities
16 Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

17 **I.**

18 **JURISDICTION**

19 1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona
20 Constitution and the Securities Act.
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22 **II.**

23 **RESPONDENTS**

24 2. MELVIN LEE CLINE ("CLINE"), whose last known Arizona address was 7812 Via de la
25 Entrada, Scottsdale, Arizona 85258, is Chief Executive Officer of WHY NOT ENTERTAINMENT, L.L.C.
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4. The respondents may be collectively referred to as “RESPONDENTS.”

FACTS

6. CLINE came up with the concept for WHY NOT and created a “Confidential Private Offering Memorandum” (“POM”) for WHY NOT, seeking to raise \$10,000,000 through the sale of common stock. The POM was given to prospective investors. The POM listed CLINE as the Interim CEO and Director of WHY NOT.

8. No investment was ever made by WHY NOT. Instead, it spent the money raised on marketing, salaries and expenses. The salaries paid by WHY NOT include CLINE's annual salary of \$100,000.

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V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

18. RESPONDENTS offered or sold securities within or from Arizona, while not registered as dealers or salesmen pursuant to the provisions of Article 9 of the Securities Act.

19. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

20. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

a) Failing to disclose to investors CLINE's felony convictions.

b) Failing to disclose to investors that the state of Alaska had found that CLINE had violated that State's securities laws and had fined him \$25,000 for the violation.

c) Falsely informing investors in the POM that WHY NOT's stock was exempt from registration while never taking the steps necessary in order to have such exemption.

d) Falsely informing investors in the POM that 1,625,000 shares of WHY NOT had been sold to New Mellennium, Ltd.

e) Failing to disclose to investors that New Mellennium, Ltd., a company listed as owning the controlling interest in WHY NOT, was controlled by CLINE.

1 f) Falsely stating in the POM that CLINE “graduated with a Masters Degree in Marketing
2 and Business Management from Owens University,” when CLINE had never attended Owens University,
3 much less obtain a master’s degree from it.

4 21. This conduct violates A.R.S. § 44-1991.

5 **VII.**

6 **REQUESTED RELIEF**

7 The Division requests that the Commission grant the following relief against RESPONDENTS:

8 1. Order RESPONDENTS to permanently cease and desist from violating the Securities Act,
9 pursuant to A.R.S. § 44-2032;

10 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting from
11 their acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

12 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to five
13 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036; and

14 4. Order any other relief that the Commission deems appropriate.

15 **VIII.**

16 **HEARING OPPORTUNITY**

17 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. A
18 request must be in writing and received by the Commission within 10 business days after service of this Notice
19 of Opportunity for Hearing. Each RESPONDENT must deliver or mail the request to Docket Control,
20 Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. A Docket Control cover
21 sheet must accompany the request. A cover sheet form and instructions may be obtained from Docket
22 Control by calling (602) 542-3477 or on the Commission's Internet web site at
23 www.cc.state.az.us/utility/forms/index.htm.

24 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60
25 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by
26 the Commission. If a request for a hearing is not timely made, the Commission may, without a hearing, enter

1 an order against each RESPONDENT granting the relief requested by the Division in this Notice of
2 Opportunity for Hearing.

3 Persons with a disability may request a reasonable accommodation such as a sign language interpreter,
4 as well as request this document in an alternative format, by contacting Shelly M. Hood, ADA Coordinator,
5 voice phone number 602/542-3931, e-mail shood@cc.state.az.us. Requests should be made as early as
6 possible to allow time to arrange the accommodation.

7 Dated this _____ day of March, 2001.

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Mark Sendrow
Director of Securities
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